

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15 EB-11

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IO-13 CIEP-02 CEA-02 RSR-01 /151 W

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SECSTATE WASHDC 2293

INFO AMEMBASSY LONDON

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EO 11652: N/A

TAGS: PFOR, ENRG, WB, GE

SUB: GDR PIPELINE TO BERLIN

REF: BERLIN 1321, 1300, 1206; BONN 12115

SUMMARY: FOLLOWING SENAT REJECTION OF GDR EFFORTS TO PURSUE OIL NEGOTIATIONS WITH SENAT RATHER THAN THROUGH OTHER CHANNELS, GDR MINISTRY OF FOREIGN ECONOMIC RELATIONS HAS AGREED TO DISCUSS MATTER WITH FRG INTER-ZONAL TRADE OFFICE IN SEPTEMBER. END SUMMARY.

2. KLEINDIENST, DIRECTOR OF FRG IZT OFFICE, INFORMED MISSION THAT HIS NORMAL CONTACT IN GDR MINISTRY OF FOREIGN ECONOMIC RELATIONS AGREED ON AUGUST 1 THAT QUESTION OF INCREASED OIL DELIVERIES TO WEST BERLIN WAS PROPER MATTER FOR NEGOTIATIONS WITH IZT OFFICE. ITEM IS NOW ON AGENDA FOR MEETING SHORTLY AFTER LEIPZIG FAIR (SEPTEMBER 2 TO 9). KLEINDIENST SAID ROHWADDER OF FRG ECONOMIC MINISTRY WILL ONCE AGAIN HAVE TALKS WITH GDR ON
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VARIOUS ENERGY QUESTIONS AT LEIPZIG FAIR BUT DOES NOT EXPECT

DISCUSSION IN DEPTH ON PIPELINE QUESTION ON THIS OCCASION.

3. KLEINDIENST ENVISAGES AGREEMENT BETWEEN HIS OFFICE AND GDR WOULD COVER, AS IN PAST, QUANTITIES OF VARIOUS OIL PRODUCTS TO BE DELIVERED BUT WITH ADDITIONAL DETAIL ON TIMING OF DELIVERY TO AVOID REPETITION OF THIS YEAR'S EXPERIENCE OF SMALL QUANTITIES OF HEAVY HEATING OIL BEING SHIPPED IN WINTER MONTHS WHEN DEMAND, BOTH IN BERLIN AND GDR, HIGH AND LARGER QUANTITIES IN SUMMER WHEN DEMAND LOW. HE SAYS OIL COMPANY CONSORTIUM WOULD NEGOTIATE SUCH TECHNICAL DETAILS AS QUALITY, PRICE AND PENALTIES FOR NON-DELIVERY. HE ANTICIPATES COMPANIES WILL OVERCOME THEIR RELUCTANCE TO PARTICIPATE IN ORDER TO PRESERVE MARKETING ARRANGEMENTS IN WEST BERLIN, NOTING THAT THERE IS NOTHING TO PREVENT GDR FROM ESTABLISHING ITS OWN DISTRIBUTION NETWORK HERE.

4. KLEINDIENST SEES REFINERY AND PIPELINE NEGOTIATIONS AS SEPARABLE FROM OIL DELIVERY NEGOTIATIONS BUT THINKS SOME CLARIFICATION OF GDR THINKING ON FORMER MAY EMERGE IN SEPTEMBER TALKS WITH HIS OFFICE. HE HOPES TO GET ANSWERS TO SUCH QUESTIONS AS:

A) WHY WOULD GDR BUILD SMALL UNECONOMIC 3-MILLION-TON REFINERY JUST FOR BERLIN REQUIREMENTS, ESPECIALLY SINCE URGENT GDR NEEDS WOULD JUSTIFY BUILDING 10-MILLION-TON REFINERY?

B) IF SOVIETS CRUDE IS TO BE USED, WHY NOT BUILD REFINERY CLOSER TO THAT SOURCE OR IF MIDDLE EAST CRUDE IS TO BE USED, WHY NOT BUILD REFINERY AT ROSTOCK?

C) WHY BUILD REFINERY DESIGNED TO MEET BERLIN NEEDS AT LOCATION FROM WHERE HEAVY OIL, WHICH WOULD NOT BE PUMPED THROUGH PIPELINE, MUST BE SHIPPED TO BERLIN BY RAIL RATHER THAN BY CHEAPER WATER TRANSPORT?
KLEIN

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